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ABSTRACT

This report presents a contingency plan recommended to the Board of Governors of California Community Colleges for the imposition of a statewide student charge policy for fiscal year 1983-84. Section A outlines the policy implications of the plan, the method by which it will be developed, staff implications, and the timing of the development of the plan. Section B presents the recommendations of the Postsecondary Education Commission for the development of a contingency plan for fees. Section C provides a glossary of terms commonly used when discussing tuition and fees. Section D discusses the policies for setting student charges and outlines different approaches involving costs, benefits, program objectives, student progress, student residence, practices elsewhere, and fiscal problems. Section E examines the implementation of charges, focusing on assessment techniques adopted, the uses to which fees can be put, the impact of alternative policies, and their effect on student financial aid. Section F discusses existing sources and levels of student financial aid and the outlook for 1983-84. Section G examines existing student fees and charges and the extent to which they fall below the amount which is legally permitted. Finally, section H discusses various trends in tax revenues, enrollments, and inflation which might necessitate the imposition of student charges. (HB)

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Board of Governors
of the
California Community Colleges

Special Committee Meeting
July 15, 1982

ITEM: Fee Contingency Plan - Background and Issues

STAFF PRESENTATION: Chuck McIntyre
Director of Analytical Studies

Summary

This item presents background information for use by the Board of Governors' Special Committee on Fee Contingency Plan in its preliminary discussion on July 15, 1982. The following topics are addressed.

A. AGENDA ITEM PROPOSAL

Final Board of Governors' action on a contingency plan is scheduled for December 1982, following a series of Special Committee meetings and staff work throughout the fall.

B. POSTSECONDARY EDUCATION COMMISSION RECOMMENDATION ON COMMUNITY COLLEGE CONTINGENCY PLAN FOR FEES

The Commission recommended that the Board of Governors develop a plan to implement mandatory student charges with financial aid in the event that certain adverse fiscal conditions exist in 1983-84 or thereafter.

C. GLOSSARY

Explanations of those terms commonly used when discussing tuition and fees should assist the Special Committee in its deliberations.

D. POLICIES FOR SETTING STUDENT CHARGES

Any one or more of a variety of concepts can be used to set student charges, including costs, benefits, program objectives, student progress, student residence, practices elsewhere, and fiscal problems.

JC 820 438

E. IMPLEMENTING STUDENT CHARGES

The impact of a given student charge will vary depending upon how fees are assessed and used. Alternative methods should be evaluated for their consistency with Board of Governors' goals and objectives.

F. STUDENT FINANCIAL AID

Existing financial aids available to community college students may decline beginning 1983-84. Imposition of student charges will require additional aid and, possibly, a new aid technique or program.

G. EXISTING STUDENT FEES/CHARGES

The 19 existing community college fees are not fully utilized even though they have doubled for residents since the passage of Proposition 13 (1978). A significant amount of tax revenues still supports community services.

H. CONTINGENCY CONDITIONS

The need for new, general student charges in community colleges depends in part upon trends in future tax revenues, enrollments, and inflation. Basic criteria such as access, program priorities and quality are major considerations.

DRAFT
Submitted June 14, 1982
by: Chuck McIntyre
Revised: June 28, 1982

A. AGENDA ITEM PROPOSAL

CONTINGENCY PLAN

for October and December 1982 Board meetings (may require legislation and regulations, but not until Spring 1983)

PURPOSE

This item will recommend a Plan for imposing a statewide student charge policy for community colleges if this becomes necessary for fiscal year 1983-84. Work on the Plan was recommended by the Postsecondary Education Commission in its response to ACR 81 (see Item B) and has been tacitly endorsed by key legislators.

POLICY IMPLICATIONS

At present there is authority for community colleges to charge 18 student fees for specific purposes (essentially noninstructional) along with non-resident tuition and with fees for classes not receiving apportionment (tax support).

The Plan would recommend a tuition/fee to be charged generally to all students and/or specifically to certain students or for certain programs and courses. This charge policy will be accompanied by a student financial aid policy for those least able to pay. Appropriate ways to implement these policies will be recommended. Modifications to existing fee policies may also be part of the Plan.

The Plan also will review possible future fiscal conditions and identify those specific conditions for which the above policies need to be adopted.

METHOD

Staff will help a Special Board of Governors' Committee to review likely fiscal conditions (in conjunction with work on the College Finance Plan) and policy options and to select a preferred Plan. The full Board will adopt and forward a Plan to the Legislature early in December 1982. This action will be preceded by a series of meetings and related staff work (see proposed timing). The Special Committee plans to meet as needed throughout this project.

Staff work will focus on

(a) projecting and analyzing likely future fiscal conditions,
(b) identifying those conditions under which tuition/fees appear to be necessary,
(c) analyzing alternative student charge/financial aid policies based on
    1) relevant theory
    2) practices here and elsewhere
    3) simulated results of the consequences of alternative policies for different students and districts
    4) estimated costs of implementation; and
(d) recommending a Plan to the Board.

STAFF IMPLICATIONS

This work will require 1.5 FTE Analytical Studies Unit staff for 20 weeks during June through November. In addition, we expect a significant portion of Specially Funded Programs staff time to be available for work on student financial aid. Finally, other outside assistance may be available to research existing tuition/fee practices here and elsewhere.

Central Computer processing (CPU) time will be required, particularly for the simulations. We will prepare an estimate of this cost which, incidentally, was not budgeted and which, therefore, must replace other planned work.

TIMING

ACTION:	Full Board	December 10, 1982
	Special Committee	December 9
Board Item Due		November 15
Review	Special Committee	November 12
	Policy Group	November 2
	Chancellor's Advisory Comm.	November 1
Staff Work		October 4 to November 12 (6 weeks)
INFORMATION:	Full Board	October 29
	Special Committee	October 28
Board Item Due		October 4
Review	Special Committee	September 30
	Policy Group	September 21
	Chancellor's Advisory Comm.	September 20
Staff Work		August 16 to October 1 (6 weeks)
INITIAL DESIGN AND ANALYSIS:		
Review	Full Board	September 17
		August 20-22
	Special Committee	July 15 (due July 5)
		June 25
	Policy Group	September 7
		August ?
		July 6
		June 22
Staff Work		June 21 to August 13 (8 weeks)

B. POSTSECONDARY EDUCATION COMMISSION RECOMMENDATION ON COMMUNITY COLLEGE CONTINGENCY PLAN FOR FEES

RECOMMENDATION5. The State should establish explicit policies to assure a combination of State and student support of Community College programs that, to the extent posible, continue existing no-charge practices for students enrolled in courses and programs that have greatest State priority.

5.2 To assure that student support of Community Colleges falls within the policies outlined in Recommendation 5, the Legislature should direct the Board of Governors to establish a contingency plan for implementing a statewide charge policy for the Community Colleges. This plan should be prepared by December 1, 1982, should incorporate procedures (1) to implement charges that are not permissive among districts, and (2) to distribute related financial aid, and should include recommendations on at least the following:

a. The structure of charges, including differentials for part-time students and establishment and adjustment of the level of charges according to the same base and process recommended for the University and State University in Recommendation 4.

b. Differential charges based on either course characteristics, or on whether students are enrolled in an educational program or taking courses on an intermittent basis.

c. The structure and funding level of student financial aid programs to offset the adverse impact of student charges and specifically to assure that at least those students who currently receive aid from need-based public assistance programs such as AFDC, SSI, SSP, or who meet the qualifications for EOPS are exempted from charges either through waivers or financial aid offsets.

d. The relationship between revenues raised by student charges and Community Colleges financing mechanisms.

5.3 The contingency plan for a statewide fee policy recommended in 5.2 above should be implemented in 1983-84 or thereafter only if the State is unable (a) to replace one-time revenues used in 1982-83 or thereafter to offset budget reductions for the Community Colleges, (b) to maintain existing levels of revenue per ADA in constant dollars, or (c) to fund reasonable enrollment growth in courses or programs that have State priority.

C. GLOSSARY

COST OF EDUCATION

This commonly includes operating budget outlays for instruction, support services such as the library and counseling, maintenance and operation of plant, and institutional management. Excluded are outlays for student financial aid, capital outlay, auxiliary operations or ancillary services such as parking and food, and community services or extension classes. For community colleges the specific term is "current expense of education," which is estimated at $2,000 per ADA for 1981-82. For most postsecondary institutions the specific term is "educational and general expense."

COST OF INSTRUCTION

This cost typically includes the direct salaries of faculty and support staff along with costs of related materials and consumable equipment. While the costs of departmental chairpersons are generally included, the costs of library, audio visual, and student support services are excluded. In the typical community college, the cost of instruction is approximately three-fifths of the current expense of education.

PUBLIC COST

That portion of the total educational cost, including all operating and capital outlays, that is borne by the taxpayer, rather than the individual student.

PRIVATE COST

This is generally defined as those costs borne by individual students because of their enrollment:

(a) tuition and fees;

(b) direct expenses such as transportation, books and supplies, housing (in some cases), child care, and other outlays directly attributable to college enrollment; and

(c) earnings foregone because of enrollment.

Some observers discount foregone earnings as a factor and, instead, define costs as those incurred while enrolled (i.e., subsistence), rather than as the result of being enrolled.

(NOTE: The following approximate cost patterns can be estimated for the average full-time California Community College student:

Public Cost	
Current Expense of Education	$ 2,000
Other Outlays	700
	2,700
Less Student Fees	30
TOTAL PUBLIC COST	$ 2,670
Private Cost	
Student Fees	30
Direct Expenses	800
Foregone Earnings	5,000
	$ 5,830
Less Student Financial Aid	500
TOTAL PRIVATE COST	$ 5,330

Private costs are about twice the level of public costs.)

TUITION

This is defined by Webster as "the price or payment for instruction." As currently used in California, this term refers to payment by the student for what is defined in this glossary as the cost of instruction. The $1,200 "fee" at UC is not referred to as tuition because it does not cover any of the cost of instruction.

FEES

This is typically defined, for postsecondary institutions, as payments by students for specific services such as parking, food, health, and the like. While usually charged to users, these fees may (as in the case of UC and CSU) be charged to all students for a broad array of services, even if not used. Also (in the case of UC) these fees may be used for student financial aid; i.e., some students subsidize the private costs of other (less wealthy) students.

PRIVATE BENEFITS

These are the benefits that accrue to individual students as a result of their education. While there are some current (consumption) benefits while enrolled, the bulk of these benefits appear to take place in the future, largely in the form of additional lifetime earnings. There are also future benefits for the individual that are nonmonetary in nature; i.e., such intangibles as status and social mobility.

PUBLIC BENEFITS

These are the benefits (sometimes termed collective or social) from an individual's education that, it is argued, accrue generally to others in society even though they may not have undergone that same education. While difficult, if not impossible to measure, these benefits are generally thought to include:

1. increases in the ability of citizens to communicate;
2. that part of economic growth attributed to college through a more efficient labor market;
3. intergenerational advantages arising from informal education of children by better-educated parents;
4. growth in the stock of knowledge resulting from nonpriceable research;
5. increased political participation;

6. increases in cultural attainment and socialization;
7. increases in voluntary or charitable (typically nonpriceable) work; and
8. reduced crime.

Other collective benefits are noted, the most frequent being the value of increased tax revenues resulting from the individual's additional lifetime earnings. However, these tax revenues can be viewed as simply a redistribution of resources, not an addition to resources.

There is considerable debate about the existence and value of public benefits. Friedman (1968), Schultz (1972), and Hansen (1973), among others, argue that these benefits are relatively insignificant. Other scholars like Bowen (1977) argue that collective or public benefits are quite significant. The returns from college education of many of these benefits which, by definition, are largely nonmonetary, are said by Bowen to be "...several times as valuable as the monetary returns."

EFFICIENCY

This criterion refers to the situation where resources are allocated to community college education, for instance, so that the marginal benefits (those resulting from the "last unit produced") equal the marginal costs. If this condition and certain other conditions hold, the difference between total benefits and total costs is maximized and the allocation is said to be economically efficient. This is the optimal or "best" result. Nothing is said or assumed about who bears the costs or enjoys the benefits. While this criterion can't be measured absolutely, it does provide a useful point-of-departure for analyzing policy options.

EQUITY

This criterion refers to the distribution, rather than allocation, of resources and is involved with identifying who bears the costs and enjoys the benefits of community college education. When examining equity, it is often, though not always, assumed that resources are efficiently allocated.

Whether the benefits and costs of community college education are equitably distributed is a matter of ethical judgment and therefore, essentially subjective. Distributional equity is the appropriate treatment of unequals (as well as equals) and implies that whatever is being distributed is in accordance with principles of justice (Bronfenbrenner, 1973).

With respect to community colleges, equity is often likened to equal educational opportunity. Board of Governors' goals include "equal opportunity for access to quality community college education for all eligible individuals in California irrespective of age, sex, race, or ancestry; economic, cultural, or physical condition; previous educational experience; or geographic location." This has to do with the equal opportunity to benefit from actual attendance at a college. Also of concern is the impact on those who don't actually attend but benefit at least indirectly from the existence of community college education. These individuals also may pay either through taxes or other ways.

EQUALIZATION

Prior to Proposition 13 this term described the effort to distribute state funds to districts so as to equalize differences in local property tax revenues. Since Proposition 13, the term refers to an attempt by the state to adjust district base budgets so as to make revenues per ADA more nearly equal or more appropriate to the needs of the district.

STUDENT FINANCIAL AID

An explicit reduction in the private cost facing the student. This reduction can take any one or more of several forms, such as fee waivers, grants, scholarships, work, and loans. Most aid for community college students comes from federally-supported Pell Grants. State aid is provided through Cal Grants and EOPS Grants.

D. POLICIES FOR SETTING STUDENT CHARGES

In theory, general student charges should equal the difference between the cost of education and the value of the social or collective benefits that result from that education. If this relationship holds, then the total private cost facing the individual student will approximate the private benefit received by that individual from his or her education.* These "efficiency" criteria are then adjusted by "equity" criteria whereby those individuals who cannot afford to pay the private costs are further subsidized through student financial aid.

The problem with these theoretical conditions, of course, is that not everyone agrees on what constitutes public and private cost or benefit (see Glossary). And, except for institutional costs, it is difficult, if not impossible, to measure the value of these factors. Finally, even if all parties agreed on concepts and values, it is doubtful that the political process and the importance of other public interests would very often allow student charges to be set in the "optimal" fashion implied by the theory. The best that can be hoped for is an approximation arrived at through negotiations by the principal parties using the best information available.

In California Community Colleges, "equity" or educational opportunity has been sought through specific student financial aid but also, and perhaps more importantly, through low general student charges - no tuition, low fees, and accessible locations - and open admissions.

Practical techniques for setting general student charges embody a variety of approaches. Most of these approaches are based on one or more of the following factors: costs, benefits, program objectives, student progress, student residence, practices elsewhere, and fiscal problems. These factors can be used singly or in combination.

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*Technically, these conditions should hold on the margin; i.e., for the "last" student enrolled. For all other students, private benefits would exceed private costs.

Cost

The costs of educating students vary by the level of instruction, and by program. Doctoral instruction is estimated by Bowen (1980) to be about three times more expensive than lower division instruction. Natural sciences, because of their laboratory emphasis, are more expensive than social sciences or humanities. In the community colleges, most occupational programs are more expensive per student than are transfer programs which, in turn, are more expensive than continuing education programs.

Efforts to consider cost differentials in setting student charges seldom tie to specific programs because of the accounting problems involved. An approximation, used in Florida, is to set charges as a fixed percentage (30% in Florida) of the cost at five different levels of instruction: (1) lower division, (2) upper division, (3) first phase graduate, (4) second phase (dissertation) graduate, and (5) professional.

In Minnesota, student charges have been a percentage of costs which vary by institution (i.e., community college versus university) and within institutions, by college (i.e., liberal arts versus forestry). Four western states (Arizona, Colorado, Oregon, and Washington) also "index" student charges to the cost of education.

Use of costs to set student charges has some theoretical merit. However, this approach neglects benefits. A high cost program with significant public benefit might be underenrolled as a result of using this approach. Another concern is that students' ability to pay may not keep pace with institutional cost inflation.

Benefits

Most private benefits accruing to the student are in the form of future earnings. Basing student charges on future earnings, while seemingly rational, has several

drawbacks. First, it is difficult to predict the future earnings of students, particularly that portion attributable to their education rather than their innate ability or motivation. Second, the taxpayers' collective interest in education is ignored. Third, the cost of education is ignored.

The benefits notion is often combined with the use of loans to be repaid by students after they complete their education, and presumably, are earning a living. Loans can be either (a) bond-type where students borrow and later repay a fixed amount (plus interest) to cover the cost of student charges or (b) stock-type where the students borrow the amount of student charges and later repay a set percentage of their annual income.

Program Objectives

A prime example of using program objectives to set student charges is the treatment of community services in community colleges and extension programs in the four-year institutions. Students pay the full (or nearly full) cost of these programs, presumably because the benefits of these programs accrue largely or entirely to individual students, rather than to taxpayers. Cost differences do not appear to be involved.

The budgetary requirement that community colleges shift at least $30 million-worth of courses from instruction to community services in 1982-83 is based upon similar reasoning. In this case, support of classes that are offered for avocational, recreational or personal development purposes is to be shifted from tax subsidies to user fees. By contrast, noncredit classes in such areas as adult basic education, English-as-a-Second-Language, citizenship, apprenticeship, short-term vocational, health and safety, home economics, education for the substantially handicapped, parenting, and educational programs for older adults are tax, not user-fee, supported in community colleges. Presumably, this is because of the public interest in these types of courses.

Student Progress or Level

This criterion for setting student charges can be derived from several arguments.

One, theoretical, argument holds that costs (per student) are greater and public benefits about the same at higher levels of instruction. Consequently, the student should be charged more of the cost of education at higher levels. Most states levy a modestly higher charge to graduate than to undergraduate students. Aside from Florida and Illinois, however, further distinctions by level are generally ignored.

Another argument is that students ought to receive (be "entitled to") a certain amount of near-free postsecondary education. After attaining that amount, students would then be charged for the cost of additional education. Applied to community colleges, this principle could be implemented by charging only those students with degrees (A.A., A.S., B.A. or higher) or only those students who have completed a certain number of units.

Student Residence

Virtually all public postsecondary institutions charge nonresidents (i.e., residents of other states) more than residents. Typically, the nonresident pays the full (or nearly-full) cost of education while the resident pays a portion of that cost.

This policy is based in part on the notion of benefits received by a state's taxpayers. A strict theoretical application of this notion, however, would set charges with reference to differences in the post-education migration patterns of the resident versus the nonresident. Other factors, such as institutional capacities, appear to be more important in setting the nonresident charge differential.

Practices Elsewhere

In general, those states with larger-than-average private institution enrollments are characterized by higher-than-average student charges in public institutions.

A comparison of California student charges with those of comparable colleges and universities elsewhere reveals that UC charges are similar but that CSU and community college charges are significantly below those of other like institutions. (See Appendix D of Chancellor's Office Analysis of Tuition and Fees and the CPEC Response to ACR 81.) What this implies for California policy is not clear.

A more useful way of examining practices elsewhere may be to compare policies for setting charges. Staff will supply the Committee with an analysis of other states' policies for setting charges.

Fiscal Problems

Under this policy, student charges are set to cover the difference between funding required by the institution and the amount of tax monies appropriated for the institution.

While it has pragmatic appeal, this approach has certain dangers for community colleges. When the state's economy falters, general fund revenues and appropriations for community colleges lag. At this same time, the need for student charges would be the greatest because of increasing enrollments due to unemployment. However, students are least able to pay the charges at this time for many of the same reasons.

E. IMPLEMENTING STUDENT CHARGES

Student charges may be imposed in a variety of ways and put to a variety of uses. The impact of a given charge will vary depending upon the method by which fees are assessed and the ways fee revenues are used. Methods should be evaluated for their consistency with Board of Governors' goals and objectives. Regardless of the method selected, it is assumed that a fee policy will be accompanied by student financial aid for those unable to pay.

Assessment Techniques

Charges can either be mandatory or permissive; that is, districts may either be required or allowed to assess the charge. The uncertain impact of a permissive charge casts doubt on this particular method. CPEC has recommended a mandatory statewide fee.

Fees may be levied as a flat rate, with or without distinction for full and part-time enrollment, or on a per-unit or per-hour basis. Results of the two techniques are quite different. (Neither UC nor CSU differentiate their basic fees for student load even though a significant proportion of CSU students enroll part-time.)

Use

Revenues derived from student charges can either

(a) supplement other revenues,

(b) substitute for other revenues, or

(c) be used in some combination of the two options.

Without an explicit policy, a general charge would raise revenue, reduce enrollment and, as a result, reduce state apportionment. The net change in total community college revenues is uncertain, but there would be an increase in community college buying power (as measured by revenues per ADA) and a reduction in access. Depending upon the policy selected, revenues can either be retained

by the district or redistributed across the state with, of course, very different consequences for equity and equalization.

Student charges may be used to support the cost of instruction (in which case, the charges likely will be termed tuition), other operating costs, capital outlay, or student financial aid.

Restricting the use of charges to other-than-instructional costs (as in UC and CSU, for example) may have an adverse long-term impact on instruction if other revenues are scarce. Using student fees to support student financial aid (i.e., other students' private costs) like the UC practice is quite different, in concept, than using fees to support institutional (public) costs like the practice in CSU.

Impact

Alternative student charge policies should be evaluated in terms of the changes they make in access, programs, and finance, and the extent to which these changes support or detract from Board goals and objectives.

Any charge policy will:

a) reduce enrollment of certain types of students;

b) impact programs and services by
   - concentrating enrollment losses in certain areas,
   - increasing workload involved in collecting fees and managing financial aid, and
   - changing the amount of revenue per student available to the college;

c) change the college's budget by
   - raising fee revenues,
   - increasing student financial aid costs,
   - increasing fee and financial aid management costs,
   - reducing apportionment revenue (because of lost enrollment); and

d) producing certain other related consequences such as higher unemployment and increased public assistance costs, among other factors.

Student Financial Aid

Under any student charge policy, the amount of student financial aid available from existing programs (see Item F) must be increased; otherwise, there will be a decrease in access that runs counter to existing Board priorities. The additional need for a new financial aid program or technique is not clear.

Financial aid could take the form of

(a) fee waivers or deferrals for certain individuals (such as those on public assistance or in EOPS - as recommended by CPEC);

(b) a part of the campus-based financial aid packaging for students, in this case using funds allocated to districts by the state through an entitlement formula; or

(c) grants to students from a centrally-managed aid process similar in operation to the Pell or Cal Grant programs.

The form of aid operation chosen should attempt to maximize the identification of students unable to pay, while minimizing the administrative burden faced by students and staff.

F. STUDENT FINANCIAL AID

Student financial aid refers to a variety of federal, state, and local programs that assist students who might otherwise be unable to attend school. There are four basic types of financial aid: grants, work-study employment, loans, and scholarships. Students must repay educational loans; however, grants, work-study earnings, and scholarships need not be repaid.

Although the primary responsibility for meeting college costs rests with students and their families, many families have limited resources and are unable to meet the high cost of postsecondary education. For this reason, financial aid programs have been established to assist students who can document their financial need.

Federal Programs

The Pell Basic Grant was established to provide a "floor" of financial aid for eligible undergraduate students. A student must apply for a Pell Grant in order to receive most other types of aid. Students must be enrolled in at least 6 units to quality for a Pell Grant. During 1982-83, grants for California Community College students will range from $120 to $763, depending on the number of units carried, the student's Pell eligibility index, and the cost of attendance at each institution. For out-of-state students, Pell Grants can range up to $1,670.

Supplemental Educational Opportunity Grants (SEOG) supplement other types of aid for students with financial need. The amount of the grant can range from $200 to $2,000 per academic year. Students must be enrolled in at least 6 units to qualify.

Bureau of Indian Affairs (BIA) grants are available for Indian students enrolled full-time in a vocational or higher education course of study. Requirements of the program include financial need and possession of at least 25 percent American Indian, Eskimo or Aluet blood as recognized by a tribal group and the federal government. Students also must be enrolled in 12 units.

College Work Study (CWS) gives students the opportunity to earn part or all of their financial need by working on or off campus. In general, the salary received is equal to the current minimum wage. The Work-Study award reflects the amount of money that the student is eligible to earn as wages. Student placement on a CWS job depends on skills, availability of jobs and hours available to work. Students must be enrolled in at least 6 units.

National Direct Student Loans (NDSL) are low-interest (5 percent) loans to undergraduate students enrolled in at least 6 units. Loans may range up to $3,000.

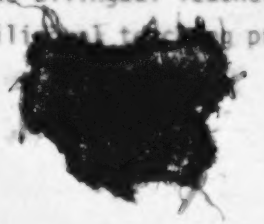
State Programs

Extended Opportunity Programs and Services (EOPS) are designed primarily for the recruitment and retention of students who are disadvantaged educationally, economically, socially or culturally, and who otherwise would not consider college attendance as a possibility. Full-time enrollment is required and grants can range from $100 to $850. The EOPS Program also offers support services such as peer and professional counseling.

Cal Grant B provides a living allowance grant of up to $1,100 per academic year for low-income disadvantaged students.

Cal Grant C provides up to $500 for tools, books, and equipment, to students enrolled in a vocational two-year program.

The Bilingual Teacher Grant provides undergraduate students, enrolled in approved bili[illegible] programs, up to $3,600 for tuition, fees, and living expenses.



California Guaranteed Student Loans allow undergraduate students to borrow up to $2,500 per academic year from a commercial lender. The nine percent interest rate is paid by the government while the student is in school and for six months afterward.

Outlook for 1983-84

Pell Grants and Campus-based (SEOG, CWS and NDSL) programs will be funded at approximately the same levels as 1982-83. Tentative awards for 1982-83 show a decrease from 1981-82 funding in the amounts of SEOG:25% cut, CWS:12% cut. Only 21 community colleges still are eligible for any federal capital contribution in the NDSL program (down from 79 colleges in 1978).

Student Aid Commission programs are expected to remain at the same levels during 1983-84 as in 1982-83. The federal State Student Incentive Grants (SSIG) program which provides approximately 12 percent of the Cal Grant Funds should also remain funded at the same level as in 1982-83.

G. EXISTING STUDENT FEES/CHARGES

There is authority for community colleges to charge 18 different fees along with nonresident tuition (see Table 1). Fee collections for parking, health and other services (excluding nonresident tuition and fees for classes) have doubled since before Proposition 13 (see Table 2). Still, districts charge less than they are authorized and there is evidence that tax revenues subsidize these services in many districts (see Table 3). Four districts charge no fees. Fourteen large urban/suburban districts do not collect parking fee revenues. Total district fee levels are quite uneven (see Table 4).

More than $20 million in district general fund (tax) subsidies are matched by about $7 million in user fees to support community services (see Table 5). These fees are charged both for community service activities (under the Civic Center Act) and for community service classes. Fee revenues from community service classes are shown also in Table 3 under "Fees for Classes."

TABLE 1

AUTHORIZED STUDENT FEES
CALIFORNIA COMMUNITY COLLEGES

CODE SECTION		MAXIMUM CHARGE
32033.	Eye Protective Devices	Actual cost
32221.	Insurance Benefits for Athletes	Coverage, but not premium, stipulated
72245.	Physical Education	None stipulated
72246.	Health Fees	$7.50 per semester or $5 per quarter
72247.	Parking Fees	$20 per semester or $40 per year
72248.	Transportation	$20 per semester or $40 per year
72250.	Program Changes	$1
72251.	Late Application for Admission or Readmission	$2
72640.	Field Trips	None stipulated
72641.	Insurance for Students on Field Trips	None stipulated
76140.	Nonresident Tuition	Current cost of education
76223.	Student Records	Actual cost of furnishing copies
78305.	Community Services Classes	Cost of maintaining class
78462.5 84604.5	Student Fees for Classes Not Eligible for State Apportionment	Cost of maintaining class
78930.	Instructional Materials	Actual cost of materials
79121.	Child Development Centers	None stipulated
81457.	Sale of Student Products to Students	Cost of product material
81458.	Materials Fee for Adult Classes	Cost of materials
82305.5	Transportation Expenses for Adult Students	Cost of transportation services

TABLE 2

STUDENT CHARGE - GENERAL FUND RESERVE
CALIFORNIA COMMUNITY COLLEGES

	REVENUES ($ MILLIONS)	% CHANGE OVER PRIOR YR.	% CHANGE OVER 1977-78
1981-82 Budgeted	$ 51.2	0.0	117.9
1980-81	51.1	32.4	116.5
1979-80	38.6	22.5	68.6
1977-78	23.6	16.3	----
1976-77	20.3	----	----

TABLE 3

TYPE AND AMOUNT OF STUDENT CHARGES
CALIFORNIA COMMUNITY COLLEGES

TYPE OF STUDENT CHARGE	AMOUNT ($ MILLIONS)	PERCENT OF TOTAL	DISTRICTS LEVYING CHARGE NO.	DISTRICTS LEVYING CHARGE %
Fees for Classes Not Eligible for ADA 1/	$ 6.9	13.5	29	41
Nonresident Students	29.8	58.2	70	100
Health Fees 2/	6.0	11.7	48	69
Parking Fees 3/	4.1	8.0	29	41
Other Charges 4/	4.4	8.6	56	80
TOTAL	51.2	100.0	---	----

1/ Seven districts account for 82% of collections. Los Angeles and Foothill alone account for 51% of collections. Includes some collections for community service classes.

2/ Several large districts don't show any budgeted charges for Health Fees (i.e., Contra Costa, Long Beach, Los Angeles, Los Rios, Peralta, San Francisco).

3/ Urban/suburban districts not budgeting for Parking Fee collections are: Cerritos, Coast, Foothill, Fremont, Long Beach, Los Angeles, Pasadena, San Francisco, San Jose, San Mateo, Santa Monica.

4/ Districts that do not charge any fees to residents: Barstow, Cerritos, Contra Costa, South County.

TABLE 4

EXISTING FEES
CALIFORNIA COMMUNITY COLLEGES

DISTRICT	EXISTING FEE PER ADA
Butte	$ 54.81
Chaffey	44.24
Citrus	32.66
Coachella Valley	43.86
Imperial Valley	40.75
Lake Tahoe	68.24
Marin	29.40
Mira Costa	32.87
Pasadena	28.80
Rio Hondo	40.27
Saddleback	45.34
San Luis Obispo	28.62
Sequoias	28.68
Sonoma	41.88
Sweetwater	35.66
Ventura	34.93
Coast	27.74
Palomar	27.84
North Orange	27.41
Gavilan	26.05
Riverside	22.57
Siskiyous	23.52
Mendocino	18.25
State Center	21.27
West Kern	11.78
Yuba	20.91
Foothill/DeAnza	20.20
Mt. San Antonio	19.54
Solano	20.37
West Valley	20.10
Yosemite	17.18
Cabrillo	18.49
Glendale	18.90
Grossmont	16.96
Merced	17.54
Rancho Santiago	17.89
Shasta	17.83
Monterey Peninsula	16.25
San Bernardino	15.76
Sierra	15.82
West Hills	3.73
Allan Hancock	12.77
Barstow	2.27
Fremont Newark	11.81
Palo Verde	2.55
Peralta	16.44
San Jose	11.55
San Mateo	10.73
Santa Monica	14.79
Kern	7.17
Los Rios	11.10
Mt. San Jacinto	5.24
Redwoods	9.11
Hartnell	.78
Lassen	8.54
Long Beach	10.33
San Diego	10.94
Santa Barbara	11.46
Contra Costa	6.50
Los Angeles	.32
San Joaquin Delta	5.63
Santa Clarita	0
Victor Valley	.24
Compton	.85
El Camino	.09
Napa	3.69
South County	0
Antelope Valley	1.41
Cerritos	0
San Francisco	.28

TABLE 5

COMMUNITY SERVICE INCOME

	COMMUNITY SERVICE TAX REVENUE 1977-78 (THOUSANDS)	GENERAL FUND SUPPORT 1979-80 (THOUSANDS)	FEES 1979-80 (THOUSANDS)	TOTAL INCOME 1979-80 (THOUSANDS)
Chaffey	$ 0	$ 0	$ 0	$ 0
Long Beach	0	415	180	595
Mt. San Jacinto	0	53	4	56
Pasadena Area	0	318	227	593
Rio Hondo	0	305	59	365
Saddleback	0	888	319	1,208
San Bernardino	0	57	17	74
San Francisco	0	408	0	408
Santa Clarita	0	56	110	165
Santa Monica	0	25	90	115
Victor Valley	0	54	9	63
San Diego	670	127	33	160
Lassen	53	18	0	18
Santa Barbara	188	219	0	219
Ventura	446	0	145	145
Allen Hancock	179	173	5	178
El Camino	456	409	134	543
Butte	226	174	0	174
Glendale	262	44	4	48
Coast	1,414	1,995	40	2,035
San Mateo	774	399	4	454
Barstow	74	74	0	74
North Orange	1,168	0	0	0
Merced	263	90	110	200
Citrus	265	264	4	267
Cerritos	608	309	223	567
Grossmont	546	235	21	256
Mendocino	95	32	10	42
Antelope Valley	162	109	0	109
Riverside	407	279	25	304
Foothill	1,168	0	975	975
Napa	243	128	17	145
Los Angeles	4,658	1,200	1,106	2,306
Los Rios	1,449	522	342	864
Sonoma	651	116	47	163
Mt. San Antonio	906	0	0	0
Imperial	189	40	2	63
Sierra	330	41	46	87
Monterey Peninsula	291	203	71	274
Rancho Santiago	879	17	60	77
Redwoods	305	581	15	596
San Joaquin Delta	604	333	0	333
Sweetwater	408	11	40	78
Marin	481	536	442	1,026
Palo Verde	31	0	0	0
Peralta	1,239	50	0	151
Sequoias	333	0	0	0
Yosemite	726	306	0	306
Siskiyou	111	74	5	79
Cabrillo	439	72	239	311
Compton	274	270	0	270
Palomar	696	91	29	120
Shasta-Tehama-Trinity	384	9	16	25
Yuba	471	0	0	0
Fremont-Newark	344	58	49	107
West Valley	900	278	149	427
Mira Costa	441	226	113	340
Solano	382	237	29	266
Coachella Valley	376	155	0	155
Hartnell	420	128	23	151
Gavilan	209	0	87	89
State Center	1,086	236	50	287
Kern	1,109	901	0	901
Contra Costa	1,825	93	55	148
San Jose	1,047	4	138	192
South County	1,037	74	44	118
Lake Tahoe	96	17	12	29
San Luis Obispo	417	6	57	63
West Hills	285	8	0	9
West Kern	343	107	1	108
TOTAL	35,735	14,655	6,029	21,070

H. CONTINGENCY CONDITIONS

CPEC recommendations (see Item B) suggest that a statewide community college fee policy be implemented only to replace one-time revenues, to maintain college "buying power" (constant dollar revenue per ADA), or to fund reasonable enrollment growth. The need for general student fees in community colleges depends in part upon trends in future tax revenues, enrollments, and inflation.

If the economy prospers and new taxes or increased tax rates are imposed, community college buying power is likely to increase; that is, revenues per student are likely to grow in real (constant dollar) terms during the 1980's. In this case, the colleges may wish to avoid tuition and maintain fees at a relatively low level.

A more moderate recovery from the present recession with nominal changes in tax laws likely means that community colleges can expect little change in their buying power. In this case, the need for greater buying power will depend largely on the need to rebuild losses in buying power that have occurred since Proposition 13 (1978) and on changes in the relative cost of educating students. The latter, in turn, is related to the rate of change in technology (and needed occupational education) along with future changes in the ability of entering students. More able students are less expensive to educate than are less able students.

A more pessimistic scenario would be comprised of a continuing recession and no changes in tax laws. In this case, community college buying power is likely to decline since tax revenues may not be sufficient to support increases in inflation and enrollment. If so, then community colleges must either arbitrarily curtail enrollment growth by cutting programs and courses, impose admissions requirements, increase producitivity, obtain supplemental revenues (such as from student fees and charges), or employ some combination of these options.

Future Conditions

Future community college tax revenues depend upon growth in the state's economy, tax policies, the share of state General Funds allocated to the colleges, and trends in federal aid to education.

Most experts feel it is not possible to accurately forecast the state's economy even during the next two years. (It's necessary to project economic conditions for both 1983 and 1984 in order to estimate possible 1983-84 tax revenues.) Even so, the State Finance Commission projects state General Fund revenues to grow by less than three percent between 1981-82 and 1982-83 because of the current recession, low inflation, loss of federal revenue sharing funds, and reduced interest earnings from a smaller General Fund surplus (see June 1982 Quarterly Forecast).

It is expected that the economy will begin to recover from the current recession in the third quarter of 1982. The timing, strength, and duration of this recovery are all in doubt, however, because of continuing high interest rates and discouraging economic indicators. Recent data trends for the gross national product, personal income, sales, unemployment, and housing starts are all below previous expectations.

Future state tax policies, of course, are uncertain as is the share of state General Funds that community colleges can expect. The community college share has declined in recent years due largely to issues surrounding reserves, noncredit classes, and student fees. As these issues are addressed, it is possible that the community college share could increase.

No significant increase, possibly even decreases, in federal aid to community colleges should be anticipated for the next several years.

Community college enrollment growth exceeded four percent this past year and is projected by the Department of Finance to grow at between one and two percent annually for the next three years, followed by annual growth rates of less than

one percent during the second half of the decade (see Table H-1). Enrollment growth is likely to be higher than these estimates unless the economy recovers significantly and the influx of refugees into California declines.

Prices in California are projected to grow at seven or eight percent in 1982 and at a slightly lower rate in 1983. These rates could be higher if the economic recovery is stronger than expected. However, a return to double-digit inflation is unlikely unless the economy is "shocked" by external factors such as a world oil crisis. While higher inflation means higher tax revenues (other things being equal), higher inflation also means greater pressure for higher staff salary increases in community colleges.

Past Conditions

During the past decade, community college buying power (constant dollar revenues per student) fluctuated until it peaked in 1977-78. (See Tables H-2 and H-3.) In the last four years, following Proposition 13, college buying power has declined by about one-fifth to about the level that existed in 1970. Over the same period, community college budget reserves declined by more than one-third, when adjusted for enrollment and price changes (see Table H-4).

The combined effect of fewer budget reserves and less annual income puts community colleges in their most precarious fiscal position in over a decade. Such statewide comparisons suggest even greater concern when it is noted that while a number of community college districts are relatively well-off, about one to two dozen districts are in extreme difficulty, as assessed by most reasonable measures of fiscal capability. These difficulties are compounded further by the fact that today's students seem to require relatively more college resources. Today's students are relatively less prepared (therefore requiring more high-cost remediation) and more often enrolled in high-cost occupational programs than were the students of ten years ago.

TABLE H-1

PROJECTIONS OF TOTAL FALL ENROLLMENT AND
ANNUAL AVERAGE TOTAL WSCH

CALIFORNIA COMMUNITY COLLEGES

FISCAL YEAR	AVERAGE ANNUAL WSCH	% CHANGE FROM PREVIOUS YEAR	TOTAL ENROLLMENT	% CHANGE FROM PREVIOUS YEAR
1980-81	12,114,988	---	1,383,236	---
1981-82	12,701,400	4.8	1,416,160	2.4
1982-83	12,918,900	1.7	1,442,140	1.8
1983-84	13,094,200	1.4	1,465,200	1.6
1984-85	13,207,600	0.9	1,482,560	1.2
1985-86	13,261,600	0.4	1,493,880	0.7
1986-87	13,272,900	0.1	1,500,110	0.4
1987-88	13,282,000	0.1	1,505,130	0.3
1988-89	13,301,600	0.2	1,511,000	0.4
1989-90	13,327,900	0.2	1,516,450	0.4
1990-91	13,237,200	0.1	1,510,720	0.4

SOURCE: Department of Finance, 1981.

TABLE H-2

COMMUNITY COLLEGE
REVENUES AND ADA

	FISCAL YEAR	ADA NO.	ADA % CHANGE	Revenue ($ Million) STATE	LOCAL*	FEDERAL	TOTAL	% CHANGE
(Est.)	1981-82	756,336	4.2	$ 1,165	$ 511	$ 93	$ 1,769	5.2
	1980-81	725,786	9.2	1,144	405	132	1,681	13.3
	1979-80	664,762	4.6	1,023	345	116	1,484	12.4
	1978-79	635,372	-11.6	851	377	92	1,320	- 6.6
	1977-78	718,303	- 0.5	585	725	103	1,413	12.2
	1976-77	721,884	- 6.1	536	628	95	1,259	10.7
	1975-76	768,902	10.8	492	556	89	1,136	13.6
	1974-75	694,096	13.9	429	505	66	1,000	19.6
	1973-74	609,459	6.3	349	435	52	836	23.8
	1972-73	573,593	3.9	221	408	46	675	11.9
	1971-72	552,208	6.7	203	359	41	603	11.2
	1970-71	517,339	---	186	324	32	542	----

SOURCE: Chancellor's Office, California Community Colleges, 1982.

*Includes student fees and other local revenue sources as well as current property taxes.

TABLE H-3

STATE AND LOCAL REVENUE PER ADA
IN ACTUAL AND CONSTANT DOLLARS
1971-72 to 1981-82
CALIFORNIA COMMUNITY COLLEGES

FISCAL YEAR	REVENUE PER ADA	COMMUNITY COLLEGE PRICE INDEX	REVENUE PER ADA IN CONSTANT $	% CHANGE FROM PREVIOUS YEAR	CALIF. CONSUMER CONSUMER PRICE INDEX (EQUATED)	REVENUE PER ADA IN CONSTANT $	% CHANGE FROM PREVIOUS YEAR
1981-82	2,216	1.000	2,216	- (3.7)	1.000	2,216	- (6.3)
1980-81	2,134	.927	2,302	- (6.4)	.902	2,366	- (10.5)
1979-80	2,058	.837	2,459	- (3.2)	.779	2,642	- (3.8)
1978-79	1,933	.761	2,540	- (1.6)	.704	2,746	- (1.9)
1977-78	1,824	.707	2,580	6.0	.652	2,798	5.6
1976-77	1,613	.663	2,433	11.2	.609	2,649	11.4
1975-76	1,363	.623	2,188	- (5.2)	.573	2,378	- (8.3)
1974-75	1,346	.583	2,309	- (3.4)	.519	2,594	- (5.0)
1973-74	1,286	.538	2,390	9.4	.471	2,730	10.8
1972-73	1,097	.502	2,185	2.2	.445	2,465	4.4
1971-72	1,018	.476	2,139	- (2.2)	.431	2,362	- (0.6)
1970-71	986	.451	2,186	--	.415	2,376	--

SOURCE: Chancellor's Office, 1982.

TABLE H-4

NET ENDING BALANCE, TOTAL INCOME
BALANCE PER ADA AND AS A PERCENT OF INCOME
CALIFORNIA COMMUNITY COLLEGES
1970-71 THROUGH 1980-81

FISCAL YEAR	AVERAGE DAILY ATTENDANCE	NET ENDING BALANCE (000)	INCOME (000)	NET ENDING BALANCE PER ADA		NET ENDING BALANCE AS PERCENT OF INCOME
				ACTUAL	CONSTANT 1980-81	
1967-68	326,585	$ 158,919	$ 378,485	$486.61	$1,199	42 %
1968-69	364,183	162,212	417,299	445.41	1,033	39
1969-70	399,791	154,034	461,748	385.29	839	33
1970-71	517,339	218,235	628,851	421.84	866	35
1971-72	522,208	220,073	675,276	421.43	820	33
1972-73	576,593	248,600	754,792	431.15	796	33
1973-74	609,459	330,876	922,698	542.90	936	36
1974-75	694,096	381,723	1,119,279	549.96	874	34
1975-76	772,704	387,843	1,243,236	500.89	745	31
1976-77	721,884	400,942	1,431,807	555.41	777	28
1977-78	718,303	430,227	1,599,510	598.95	785	27
1978-79	635,372	416,245	1,485,210	655.12	798	28
1979-80	670,623	420,054	1,700,894	626.36	694	25
1980-81	725,786	405,096	1,807,341	558.15	558	22

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SOURCE: Analytical Studies Unit
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